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MONTANA LEGISLATIVE HISTORY

Chapter 635 1983

Bill H 870 S _____ Original bill & history ✓ C

H. Committee on Taxation		S. Committee on Taxation	
Hearing Date(s) 3/9	✓ C	Hearing Date(s) 3/24	✓ C
_____	___ C	3/26	✓ C
_____	___ C	3/29	✓ C
_____	___ C	_____	___ C
Date Out _____	___ C		

Did this bill originate in an interim committee? ___ Yes ___ No

Committee _____ Report _____

INTRODUCED: 02/16/83
REFERRED TO SELECT COMMITTEE ON ECONOMIC DEVELOPMENT: 02/15/83
REREFERRED TO COMMITTEE ON TAXATION: 03/03/83
HEARING: 3/15/83
DIED IN COMMITTEE

HB 869 -- FABREGA, YARDLEY -- PROVIDING A CREDIT AGAINST INCOME TAX LIABILITY FOR INVESTMENTS IN THE MANUFACTURE OF ENERGY-EFFICIENT, MINIMALLY POLLUTING WOOD HEATERS, PROVIDING FOR LIMITATION ON AND CARRYOVER OF THE CREDIT; ....
BY REQUEST OF: HOUSE BUSINESS AND INDUSTRY COMMITTEE

INTRODUCED: 2/15/83
REFERRED TO SELECT COMMITTEE ON ECONOMIC DEVELOPMENT: 02/15/83
REREFERRED TO COMMITTEE ON TAXATION: 03/03/83
HEARING: 3/15/83
DIED IN COMMITTEE

HB 870 -- FABREGA, HALLIGAN, TOWE, ET AL. -- TO EXEMPT CERTAIN PROPERTY OF LARGE-SCALE HARD-ROCK MINERAL DEVELOPERS FROM THE USUAL LOCAL PROPERTY TAXATION OF CITIES, COUNTIES, TOWNS, AND SCHOOL DISTRICTS; TO CREATE A SYSTEM FOR SHARING THE PROPERTY TAX BASE OF LARGE-SCALE HARD-ROCK MINERAL DEVELOPMENTS AMONG SEVERAL TAXING JURISDICTIONS; ....
BY REQUEST OF: THE ENVIRONMENTAL QUALITY COUNCIL HARD-ROCK MINING SUBCOMMITTEE

INTRODUCED: 02/15/83
REFERRED TO COMMITTEE ON TAXATION: 02/15/83
HEARING: 3/9/83
REPORT: 03/11/83, DO PASS, AS AMENDED
2ND READING: 03/18/83, DO PASS AYES: 94; NAYS: 0
3RD READING: 03/19/83, DO PASS AYES: 85; NAYS: 2

TRANSMITTED TO SENATE: 3/19/83
REFERRED TO COMMITTEE ON TAXATION: 03/21/83
HEARING: 3/24/83
REPORT: 03/30/83, BE CONCURRED IN, AS AMENDED
2ND READING: 04/04/83 AYES: 45; NAYS: 1
3RD READING: 04/06/83 AYES: 48; NAYS: 0

RETURNED TO HOUSE WITH AMENDMENTS: 4/6/83
2ND READING: 04/15/83, BE CONCURRED IN AYES: 85; NAYS: 0
3RD READING: 04/15/83, BE CONCURRED IN AYES: 96; NAYS: 0

TRANSMITTED TO GOVERNOR: 04/20/83
SIGNED: 4/26/83, CHAPTER 635

HB 871 -- FAGG, HANNAH -- CREATING AN ECONOMIC DEVELOPMENT AUTHORITY; CREATING AN ECONOMIC DEVELOPMENT GUARANTY FUND; PROVIDING FOR THE ISSUANCE OF BONDS TO FINANCE PROJECTS; DESIGNATING TYPES OF PROJECTS TO BE FUNDED; CREATING ACCOUNTS NECESSARY FOR CARRYING OUT THE PROGRAM; ....
BY REQUEST OF: THE SELECT COMMITTEE ON ECONOMIC DEVELOPMENT

INTRODUCED: 2/15/83
REFERRED TO SELECT COMMITTEE ON ECONOMIC DEVELOPMENT: 2/15/83
HEARING: 2/17/83
REPORT: 02/21/83, DO PASS, AS AMENDED
2ND READING: 02/23/83, DO PASS, AS AMENDED AYES: 71; NAYS: 24
3RD READING: 02/23/83, DO PASS AYES: 81; NAYS: 12

HOUSE BILL NO. 870

INTRODUCED BY FABREGA, HALLIGAN,
TOWE, IVERSON, ECK

BY REQUEST OF THE ENVIRONMENTAL QUALITY COUNCIL
HARD-ROCK MINING SUBCOMMITTEE

IN THE HOUSE

February 15, 1983	Introduced and referred to Committee on Taxation.
March 11, 1983	Committee recommend bill do pass as amended. Report adopted.
March 12, 1983	Bill printed and placed on members' desks.
March 15, 1983	Second reading, pass consideration.
March 18, 1983	Second reading, do pass.
March 19, 1983	Considered correctly engrossed.
	Third reading, passed. Transmitted to Senate.

IN THE SENATE

March 21, 1983	Introduced and referred to Committee on Taxation.
March 30, 1983	Committee recommend bill be concurred in as amended. Report adopted.
April 4, 1983	Second reading, concurred in.
April 5, 1983	Third reading, concurred in. Ayes, 48; Noes, 0.

IN THE HOUSE

April 6, 1983	Returned to House with amendments.
April 15, 1983	Second reading, amendments concurred in.
	Third reading, amendments concurred in.
	Sent to enrolling.
	Reported correctly enrolled.

House BILL NO. 870

INTRODUCED BY [signatures]

Eck BY REQUEST OF THE ENVIRONMENTAL QUALITY COUNCIL

HARD-ROCK MINING SUBCOMMITTEE

A BILL FOR AN ACT ENTITLED: "AN ACT TO EXEMPT CERTAIN PROPERTY OF LARGE-SCALE HARD-ROCK MINERAL DEVELOPERS FROM THE USUAL LOCAL PROPERTY TAXATION OF CITIES, COUNTIES, TOWNS, AND SCHOOL DISTRICTS; TO CREATE A SYSTEM FOR SHARING THE PROPERTY TAX BASE OF LARGE-SCALE HARD-ROCK MINERAL DEVELOPMENTS AMONG SEVERAL TAXING JURISDICTIONS; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Declaration of necessity and purpose. The commencement of new large-scale hard-rock mineral developments often results in revenue disparities among adjacent local government units. This occurs primarily when a mine that locates in one taxing jurisdiction causes population influxes in neighboring jurisdictions. The result can be that some jurisdictions will experience a need to increase expenditures and receive no corresponding increase in revenue, while others will experience an increase in revenue and receive no comparable increase in expenditures. There is therefore a need to allocate the increase in property tax base resulting from the development and operation of new large-scale mines so that property tax revenues will be equitably distributed among affected local government units.

Section 2. Definitions. As used in [this act], the following definitions apply:

(1) "Affected local government unit" means a local government unit that will experience a need to increase services or facilities as a result of the commencement of large-scale mineral development or within which a large-scale mineral development is located.

(2) "Board" means the hard-rock mining impact board established in 2-15-1822.

(3) "In-migrating mineral development employee" means a person who establishes a temporary or permanent residence within the jurisdiction of an affected local government unit as a result of employment with a large-scale mineral development or its contractors or subcontractors.

(4) "In-migrating student" means a student whose parent or guardian establishes temporary or permanent residence within the jurisdiction of an affected local government unit as a result of employment with a large-scale mineral development or its contractors or subcontractors.

(5) "Jurisdictional revenue disparity" means property tax revenues resulting from a large-scale hard-rock mineral

development that are inequitably distributed among affected local government units.

(6) (a) "Large-scale mineral development" means the construction or operation of a hard-rock mine and the associated milling facility that will:

(i) employ at any given time at least 100 people; or

(ii) cause or be expected to cause an increase in estimated population of at least 15% in a local government unit when measured against the average population of the local government unit in the 3-year period immediately preceding the commencement of the mining facility construction.

(b) A mining operation that would qualify as a large-scale mineral development under this subsection (6) is not a large-scale mineral development if the mine owner and operator qualify as small miners under 82-4-303.

(7) "Local government unit" means a county, city, or school district.

Section 3. Jurisdictional revenue disparity -- tax exemption. (1) When an impact plan for a large-scale mineral development approved by the board pursuant to 90-6-307 identifies a jurisdictional revenue disparity, the board shall promptly notify the developer, all affected local government units, and the department of revenue of the disparity. Except as provided in subsection (2) and

[section 4], the increase in taxable valuation of the mineral development that occurs after the issuance and validation of a permit under 82-4-335 is exempt from the usual application of property tax mill levies.

(2) The taxable valuation of all large-scale mineral developments are subject to the statewide mill levies and basic county levies for elementary and high school foundation programs as provided in 20-9-331 and 20-9-333.

(3) Any property tax exemption provided for in subsection (1) remains in effect until the large-scale mineral development ceases operations or until the existence of the jurisdictional revenue disparity ceases.

Section 4. Allocation of taxable valuation for local taxation purposes. When property of a large-scale mineral development is exempted from local property taxation pursuant to [section 3], the taxable valuation so exempted must be allocated by the department of revenue as follows:

(1) The total taxable valuation must be distributed to each affected city and county according to the following formula:

(a) to each county according to its percentage of the total number of in-migrating mineral development employees that reside within the unincorporated areas of the county;

(b) to each city according to the percentage of the total number of in-migrating mineral development employees

that reside within the city's corporate boundaries.

(2) The total taxable valuation must be distributed to each affected high school district according to the percentage of the total number of in-migrating high school students that reside within each district.

(3) The total taxable valuation must be distributed to each affected elementary school district according to the percentage of the total number of in-migrating elementary school students that reside within each district.

Section 5. Employee surveys. Each large-scale mineral development subject to the provisions of [sections 3 and 4] shall, on or before May 1 of each year, conduct a survey of its employees and promptly submit a report of its findings to the department of revenue. The report must include:

(1) the number of in-migrating mineral development employees residing within each affected county;

(2) the number of in-migrating mineral development employees residing within each affected city;

(3) the number of in-migrating students enrolled in each affected high school district; and

(4) the number of in-migrating students enrolled in each affected elementary school district.

Section 6. Effective date. This act is effective on passage and approval.

-End-

STATE OF MONTANA

REQUEST NO. 488-83

FISCAL NOTE

Form BD-15

In compliance with a written request received February 18, , 19 83 , there is hereby submitted a Fiscal Note for House Bill 870 pursuant to Chapter 53, Laws of Montana, 1965 - Thirty-Ninth Legislative Assembly. Background information used in developing this Fiscal Note is available from the Office of Budget and Program Planning, to members of the Legislature upon request.

DESCRIPTION OF PROPOSED LEGISLATION:

House Bill 870 provides a formula-based-mechanism for reallocating the taxable valuation attributable to future major mineral developments among the county, municipalities and school districts in which mineral development employees reside or attend public schools.

ASSUMPTIONS:

1) The cost to the Department of Revenue for the annual reallocation of taxable valuation would be minimal because the necessary data for the formula would be supplied by the mineral developer.
2) The cost to the Hard Rock Mining Impact Board for identifying the jurisdictional disparity in an impact plan would be negligible.

FISCAL IMPACT:

State-wide and county-wide 40 mill school levies are not affected by House Bill 870.

Money figure not possible to predict. Bill establishes formula for allocation of potential future tax base among jurisdictions affected by major mineral development. The Department of Revenue would have a slight one-time annual increase in administrative duties, as would the Hard Rock Mining Impact Board. House Bill 870 should not add to the appropriation needed for the board. Major mineral developers might pay more or less local property taxes, depending on local mill levies and allocation of tax base. Fiscal impact on state would be minimal.

LOCAL IMPACT:

No dollar estimate is feasible.

Continued

David M Lewis

BUDGET DIRECTOR
Office of Budget and Program Planning
Date: 2-22-83

Affected counties would receive less future taxable valuation from a proposed mineral development and municipalities would receive some taxable valuation in proportion to the number of employees residing within the municipality compared with the number residing in the county.

The elementary and high school districts in which the mineral development is located would receive less future taxable valuation from a proposed development if the children of employees attend school in other school districts, which in turn would experience an increase in both taxable valuation and expenses.

There may be a reduction in revenues of the elementary and high school districts in which the mine is located. There may be an increase in revenues for municipalities and school districts which experience population growth and a resulting need to provide services as a consequence of the mineral development. NOTE: The bill does not provide for the sharing of revenues but for the apportioning of tax base among taxing jurisdictions.

TECHNICAL DIFFICULTIES:

If a student lives in one school district but attends school in another school district either the district of residence or the student's parents or guardian must pay tuition to the district where the child attends school. House Bill 870 does not provide a tuition credit from the revenue received as a result of the added taxable valuation; a tuition credit could reduce the tuition costs by an amount not to exceed the amount of revenue received by the district as a result of the student's attendance in that district.

LONG-RANGE EFFECTS OF PROPOSED LEGISLATION:

The primary effect at the state level will be to the Department of Revenue which must allocate taxable valuation annually according to employees and student population distribution information received from the mineral developer.

FISCAL NOTE 17:F/2

TAXATION COMMITTEE

48th Legislature

ll No.	Subject Matter	Date In	Sponsor	Hearing Date	Committee Action	Date Out
IB 860	AN ACT REVISING THE LAWS GOVRNG. THE ESTIMATED INCOME TAX; PROV. FOR QUARTERLY PAYMENTS; ELIMINT. THE FARMER, RANCHER, OR STOCK-MAN EXCLUSION.....	2-15-83	Fagg	3-8-83	DO NOT PASS	3-9-83
IB 866	AN ACT TO PROVIDE FOR A SALE BY ADVERTISEMENT OF PROPERTY IN COUNTY RURAL IMPROVEMENT DISTR. & CITY SPECIAL IMPROVE. DIST. IN LIEU OF A TAX SALE.....	2-15-83	Sales	3-4-83	TABLED	3-4-83
IB 867	AN ACT PROVIDING A CREDIT AGNST. INCOME TAX LIAB. FOR INVESTMNTS. IN THE MANUFACTURE OF ENERGY CONSERVATION PRODUCTS; PROV. FOR LIMITATION ON AND CARRYOVER OF THE CREDIT.....	3-4-83	Fabrega	3-15-83	TABLED	3-21-83
IB 868	AN ACT PROVIDING A CREDIT AGNST. INCOME TAX LIAB. FOR INVESTMNTS. IN THE MANUFACTURE OF RENEWABLE ENERGY EQUIPMENT; PROV. FOR LIMITATION ON AND CARRYOVER OF THE CREDIT.....	3-4-83	Fabrega	3-15-83	TABLED	3-21-83
IB 869	AN ACT PROVID. A CREDIT AGNST. INCOME TAX LIAB. FOR INVESTMNTS. IN THE MANUFACTURE OF ENERGY-EFFICIENT, MINIMALLY POLLUTING WOOD HEATERS; PROV. FOR LIMIT. ON & CARRYOVER OF THE CREDIT...	3-4-83	Fabrega	3-15-83	TABLED	3-21-83
IB 870	AN ACT TO EXEMPT CERTAIN PROP. OF LARGE-SCALE HARD-ROCK MINERAL DEVELOPERS FROM THE USUAL LOCAL PROPERTY TAXATION OF CITIES, COUNTIES, TOWNS & SCHOOL DIST.	2-15-83	Fabrega	3-9-83	AND AS AMENDED DO PASS	3-10-83

rm CS-32
81

SENATOR ELLIOTT asked if he could respond to a question raised as to whether a tribe is a unit of local government. That question was raised earlier and an attorney general's opinion was requested. The attorney general's opinion was that they were not considered to be a unit of local government as defined by this particular section of the law. His opinion was based primarily on the fact that units of local government would be defined as they are established by state law and since a reservation is not established by state law, then it cannot be a unit of local government. At the present time, they are not considered under that definition.

CHAIRMAN YARDLEY asked if the amendments are within the scope of the intent of the title of the bill. Senator Elliott said he raised the same question with the Governor's Office of Indian Affairs and they said they would pass that question by their lawyers. The general feeling was that these interpretations can be as narrow or as broad as any person may want to interpret them. He said he would request this committee to get another opinion that this would be germane to the subject of the title because they want to see SB 186, in its original form at the very least, passed and if the amendments can be considered germane to the subject then he would be agreeable to having them added to the bill.

REPRESENTATIVE REAM asked if this attorney general's opinion is a recent one with regard to this specific legislation. Louie Clayborn, representing the Office of the Coordinator of Indian Affairs, said the original opinion was not recent. However, at the request of the Montana Arts Council, there has been another opinion issued by Attorney General Greely, and the findings did come out in favor of the tribes being considered units of local governments.

The hearing on SB 186 was closed.

HOUSE BILL 870

REPRESENTATIVE JAY FABREGA, District 44, sponsor of the bill, said one of the critical things is how to allocate new taxable valuation that develops from large-scale mining to impacts. House Bill 870 is an act to exempt certain property of large-scale hard-rock mineral developers from the usual local property taxation of counties, cities, towns and school districts; to create a system for sharing the property tax base of large-scale hard-rock mineral developments among several taxing jurisdictions.

REPRESENTATIVE FABREGA passed out copies of EXHIBIT 6 which is an informational sheet on HB 870.

REPRESENTATIVE FABREGA said the concept is to take the increased taxable valuation of the dollars from the operation. You take

the increments and determine, within that county, how many people working at the mine live within that county or the area of the mine. If 60% of the people working at the mine live in a certain city, 60% of the increased taxable valuation would be assigned to that city.

REPRESENTATIVE FABREGA said the reason for the reading copy of the bill is that after the bill was introduced, some amendments were added to take out the migrating worker.

REPRESENTATIVE FABREGA said HB 870 is a fair way to approach impacts in the future.

Proponents

SENATOR MIKE HALLIGAN, District 48, said this is a jurisdictional mismatch problem. The hard-rock mining report states that the subcommittee carefully reviewed two measures designed and proposed to accomplish a system for assuring an equitable distribution of tax revenues among affedted local government units. The first measure involves collecting property taxes from large-scale mineral developers at the state level and then distributing these collections to each of the affected government units on the basis of need. The other is a tax base sharing measure which requires that the assessed property valuation of a large-scale mineral development be divided up and allocated on the basis of impact to each affected government. Each jurisdiction then derives property tax revenues from the mineral development by applying its budgeting and mill levy procedures to its assigned portion of the taxable valuation.

The subcommittee endorsed the tax base sharing approach and rejected the state level property tax concept.

JIM RICHARD, representing Stillwater County, said a mine development will locate in a county and will have three taxing jurisdictions: 1) county; 2) elementary school district; and 3) high school district. House Bill 870 will distribute part of that taxable valuation to some equal jurisdictions. That doesn't increase the taxable valuation of the mining development. Overall, taxes that the company may pay will be higher or lower, depending on other mill levies compared to districts in which the development was located. Typically, municipalities have higher mill levies than counties.

The assumptions of HB 870 are:

1. People create costs for public services. But that can be turned around to say the cost of public services is proportional to the number of people who live there.

2. By counting where the mine employees live and where their children will go to school, those

employees will have a reflection on the entire related mine population.

The premise of HB 870 is that it does not conflict with the impact plan of HB 718.

This will not create any additional administrative problems. Distribution is related to the census taken of mine employees each year.

ANDREW EPPLE, representing Sweet Grass County Commissioners, said the bill represents an equitable and innovative approach to solving the "jurisdictional mismatch" problem associated with major mineral development. It also represents the culmination of approximately two years of dialogue between industry, local government representatives, and members of the EQU-ROC Hard-Rock Mining Subcommittee charged with trying to find a solution to this problem. The bill enjoys a broad-based support fro each of these three factions. (See EXHIBIT 7.)

LES DARLING, representing the Stillwater PGM Resources, said they support HB 870. This bill will have the effect of increasing our property taxes but provides for a more equitable distribution of mineral development propert taxes to governmental units in which our employees will most likely reside. He offered amendments to the bill. (See EXHIBIT 8.)

MARC LEDBETTER, representing the Northern Plains Resource Council, said they followed the development of this concept all the way and are most happy with this final concept

REPRESENTATIVE DEAN SWITZER, District 54, said he is a proponent of the bill. The bill does something that is practical - allowing people most closely involved to solve the problems.

REPRESENTATIVE FABREGA, in closing, passed out copies of EXHIBIT 9, which is a gray copy of the bill, showing the amendments suggested. Any technical questions can be directed to John Carter, Environmental Quality Council.

Questions were heard from the committee.

REPRESENTATIVE HARRINGTON asked if this bill would grandfather areas already in existance. Representative Fabrega said this bill applies to future operations, not previous operations.

The hearing on HB 870 was closed.

CHAIRMAN YARDLEY called the meeting into Executive Session at this time.

EXECUTIVE SESSION

VISITORS' REGISTER

HOUSE TAXATION COMMITTEE

BILL HB 870 Date March 9, 1983

SPONSOR Representative Fabrega

NAME	RESIDENCE	REPRESENTING	SUP-PORT	OP-POSE
Connie Cobb		WESTECH		
Lee Larkin	Big Timber	SPGMR	X	
Jim E Richard	E. Helena	Stillwater Co.	X	
Carol L Ferguson	Clancy	Hard Rock Impact Bd		
A.C. Epple	Big Timber	Sweet Grass Co.	✓	
[illegible]	[illegible]	[illegible]	✓	
Mike McElligan	Missoula	Senate Dist #48	✓	

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR LONGER FORM.

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Form CS-33
1-81

WITNESS STATEMENT

Name Andrew C. Eagle Committee On House Taxation

Address Box 1052 Rig T. 59011 Date 3/1/83

Representing Sweet Grass Co. Commissioners Support ✓

Bill No. HB 570 Oppose

Amend

AFTER TESTIFYING, PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

1. On behalf of the Sweet Grass County Commissioners, expressing complete support for tax base sharing of mineral development properties. See attached letter.

2.

3. Sincerely,
A. C. Eagle

4.

Itemize the main argument or points of your testimony. This will assist the committee secretary with her minutes.

FORM CS-34
1-83

EXHIBIT 8
3-9-83

NAME Les A. Darling and Ward A. Shanahan BILL NO. HB 870

ADDRESS P.O. Box 1715, Helena, MT 59624 DATE 03/08/83

WHOM DO YOU REPRESENT Stillwater PGM Resources

SUPPORT _____ OPPOSE _____ AMEND XXX

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

Stillwater PGM Resources supports the concept of tax base revenue sharing as proposed by HB 870. This bill will have the effect of increasing our property taxes but provides for a more equitable distribution of mineral development property taxes to governmental units in which our employees will most likely reside. We have worked closely with Stillwater and Sweet Grass County representatives in the development of this proposal and offer the following amendments in an effort to improve the bill:

1. Page 2, line 11.
   Following: "located"
   Strike: "."
   Insert: "in accordance with an impact plan adopted pursuant to 90-6-307."

2. Page 2, line 14.
   Following: "(3)"
   Strike: "In migrating mineral"
   Insert: "Mineral"

3. Page 2, line 15.
   Following: "who"
   Strike: "establishes a temporary or permanent residence"
   Insert: "resides"

4. Page 2, line 19.
   Following: "(4)"
   Strike: "In-migrating"
   Insert: "Mineral development"

5. Page 2, lines 20 and 21.
   Following: "guardian"
   Strike: "establishes temporary or permanent residence"
   Insert: "resides"

6. Page 3, line 2.
Following: "units"
Strike: "."
Insert: "as finally determined by the board in an approved impact plan."

7. Page 3, lines 3-16.
Strike: subsection (6) in its entirety
Insert: "(6) (a) "Large-scale mineral development" for the purposes of this part is defined in 90-6-302."

8. Page 3, line 17.
Following: "unit""
Insert: "for the purposes of this part"

9. Page 3.
Following: line 18
Insert: "(8) "Taxable valuation" of a mineral development means the total of the gross proceeds taxable percentage specified in 15-6-132(2)(a) when added to the taxable percentages of real property, improvements, machinery, equipment, and other property classified under Title 15, chapter 6, part 1, MCA."

10. Page 4, line 18.
Strike: "to"
Insert: "pro rata among"

11. Page 4, line 22.
Strike: "in-migrating"

12. Page 4, line 25.
Strike: "in-migrating"

13. Page 5, line 1.
Following: "boundaries."
Insert: "That portion of the taxable valuation of a mineral development distributed to a city pursuant to this section from a mineral development located outside the city's corporate boundaries is not subject to the county mill levy usually applied to property located in the city."

14. Page 5, line 2.
Strike: "to"
Insert: "pro rata among"

15. Page 5, line 4.
Strike: "in-migrating"
Insert: "mineral development"

16. Page 5, line 6.
Strike: "to"
Insert: "pro rata among"

17. Page 5, line 8.
Strike: "in-migrating"
Insert: "mineral development"

18. Page 5, line 15.
Strike: "in-migrating"

19. Page 5, line 17.
Strike: "in-migrating"

20. Page 5, line 19.
Strike: "in-migrating"
Insert: "mineral development"

21. Page 5, line 21.
Strike: "in-migrating"
Insert: "mineral development"

22. Page 5, line 24.
Following: line 24
Insert: "NEW SECTION. Section 7. Codification. This act is intended to be codified as Title 90, chapter 6, part 4, entitled "Hard-Rock Mining Impact Property Tax Base Sharing.""

1766S

March 10, 19 83

MR. SPEAKER:

We, your committee on TAXATION

having had under consideration HOUSE Bill No. 870

First reading copy (White color)

A BILL FOR AN ACT ENTITLED: "AN ACT TO EXEMPT CERTAIN PROPERTY OF LARGE-SCALE HARD-ROCK MINERAL DEVELOPERS FROM THE USUAL LOCAL PROPERTY TAXATION OF CITIES, COUNTIES, TOWNS AND SCHOOL DISTRICTS; TO CREATE A SYSTEM FOR SHARING THE PROPERTY TAX BASE OF LARGE-SCALE HARD-ROCK MINERAL DEVELOPMENTS AMONG SEVERAL TAXING JURISDICTIONS; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

Respectfully report as follows: That HOUSE Bill No. 870

be amended as follows:

1. Page 2, line 11.
Following: "located"
Insert: "in accordance with an impact plan adopted pursuant to 90-6-307"

2. Page 2, line 14.
Following: "(3)"
Strike: "In-migrating mineral"
Insert: "Mineral"

3. Page 2, line 15.
Following: "who"
Strike: "establishes a temporary or permanent residence"
Insert: "resides"

XXXXXX

DAN YARDLEY,
Chairman.

STATE PUB. CO.
Helena, Mont.

COMMITTEE SECRETARY

4. Page 2, line 19.
Following: "(4)"
Strike: "In-migrating"
Insert: "Mineral development"

5. Page 2, lines 20 and 21.
Following: "guardian" on line 20
Strike: "establishes temporary or permanent residence"
Insert: "resides"

6. Page 3, line 2.
Following: "units"
Insert: "as finally determined by the board in an approved impact plan"

7. Page 3, line 3 through line 16.
Following: "development"" on line 3
Strike: line 3 through "82-4-303" on line 16
Insert: "for the purposes of this act is defined in 90-6-302"

8. Page 3, line 17.
Following: "unit".
Insert: "for the purposes of this part"

9. Page 3, line 19.
Following: line 18
Insert: "(8) "Taxable valuation" of a mineral development means the total of the gross proceeds taxable percentage specified in 15-6-132(2)(a) when added to the taxable percentages of real property, improvements, machinery, equipment, and other property classified under Title 15, chapter 6, part 1."

10. Page 4, line 18.
Following: "distributed"
Strike: "to"
Insert: "pro rata among the"

11. Page 4, line 19.
Following: line 18
Strike: "each"

12. Page 4, line 22.
Strike: "in-migrating"

13. Page 4, line 25.
Strike: "in-migrating"

Chairman.

STATE PUB. CO.
Helena, Mont.

March 10, 19 83

14. Page 5, line 2.
Following: "distributed"
Strike: "to"
Insert: "pro rata among"

15. Page 5, line 4.
Following: "number of"
Strike: "in-migrating"
Insert: "mineral development"

16. Page 5, line 6.
Following: "of"
Strike: "to"
Insert: "pro rata among"

17. Page 5, line 8.
Following: "number of"
Strike: "in-migrating"
Insert: "mineral development"

18. Page 5, line 15.
Strike: "in-migrating"

19. Page 5, line 17.
Strike: "in-migrating"

20. Page 5, line 19.
Strike: "in-migrating"
Insert: "mineral development"

21. Page 5, line 21.
Strike: "in-migrating"
Insert: "mineral development"

22. Page 5, line 25.
Following: line 24.
Insert: "NEW SECTION. Section 7. Codification.
This act is intended to be codified as Title 90, chapter 6, part 4, entitled "Hard-Rock Mining Impact Property Tax Base Sharing."

AND AS AMENDED
DO PASS

DAN YARDLEY, Chairman.

STATE PUB. CO.
Helena, Mont.

FORTY-EIGHTH LEGISLATIVE SESSION

COMMITTEE ON TAXATION (SENATE)

HOUSE BILL NO.	ENTERED COMM.	DATE CONSIDERED	OUT OF COMM.	DO NOT DATE	DO NOT PASS DATE	DO PASS AS AMEND. DATE	BE CON-CURRED IN DATE	BE CONC. IN AS AMENDED DATE	BE NOT CON-CURRED IN DATE
730	3/2/83	3/10/83	3/17/83					3/17/83	
739	3/28/83	3/31/83	4/12/83					4/11/83	
740	3/28/83	4/5/83		Tabled on 4/11/83					
742	3/1/83	3/11/83	3/25/83	Tabled on 3/15/83; taken given BE CONCURRED IN AS			off table and reconsidered AMENDED on 3/24/83.		on 3/24/83;
747	3/23/83	3/25/83	3/29/83					3/29/83	
750	3/2/83	3/7/83	3/23/83	Tabled on 3/15/83; moved on 3/21/83; given BE CONC			to take from table and reconsider URRED IN AS AMENDED on 3/22/83.		
755	4/5/83	4/7/83	4/14/83					4/14/83	
766	3/2/83	3/11/83	3/15/83				3/15/83		
779	3/16/83	3/21/83		Tabled on 3/22/83					
780	3/16/83	3/21/83	4/8/83					4/7/83	
841	4/5/83	4/7/83	4/12/83	Tabled on 4/11/83; taken on 4/12/83.			from committee to second		reading
858	3/28/83	4/1/83	4/1/83				4/1/83		
870	3/21/83	3/24/83	3/29/83					3/29/83	
890	3/25/83	3/31/83	4/12/83					4/12/83	
923	4/14/83	4/14/83	4/14/83				4/14/83		
925	4/12/83	4/14/83		Tabled on 4/14/83					

(Use Separate Sheet for Senate, House Bills, and Resolutions)

(NOTE: These sheets indicate the status of the bills heard from time to time; the attached index indicates all of the dates on which the respective bills

MINUTES OF THE MEETING
TAXATION COMMITTEE
MONTANA STATE SENATE

March 24, 1983

The fifty-third meeting of the Taxation Committee was called to order at 8 a.m. by Chairman Pat M. Goodover in Room 415 of the Capitol Building.

ROLL CALL: All members were present, with some of the members being excused later in the meeting to present bills in the House.

CONSIDERATION OF HOUSE BILL 870: Representative Jay Fabrega, House District 44, sponsored the bill. See the attached explanation of HB 870, Mineral Property Tax Base Sharing, Exhibit A.

PROPONENTS

Jim Richard, representing Stillwater County, commended his county commissioners for getting behind this concept. He submitted amendments, attached as Exhibit B. The purposes of the proposed amendments are (a) to protect the county from a potential situation of "reverse fiscal disparity"; (b) to protect the mineral developer from an excessive increase in taxation; and (c) to continue to allocate some new taxable valuation to municipalities. The allocation of taxable valuation among school districts as proposed by HB 870 is not affected by these amendments. The amendments affect only that taxable valuation to be shared between counties and municipalities. At least eighty percent of the taxable valuation is reserved for distribution among affected counties. Up to twenty percent of the taxable valuation may be distributed among affected municipalities. The basis for the distribution formula continues to be the place of residence of the mineral development employee.

Mr. Richard stated that HB 870 operates in conjunction with HB 718 from the 1981 session, which would continue to operate and try to equalize. Municipalities will benefit the most; school districts which provide education but which do not have mining would benefit. Counties would lose some and other school districts would gain some.

Andy Epple, Sweetgrass County Commissioner, felt HB 870 was equitable and he hoped that it would pass. They were concerned that the bill as drafted might create disparity--if 100% of mineral development has 100% of its people living in the city, then does the city get all the taxable valuation and the county gets none? The 20% limit is reasonable.

Les Darling, representing Stillwater PGM Resources, supported the bill with the amendments, saying that they accomplish what the board is trying to achieve.

Mark Ledbetter, Northern Plains Resource Council, felt this would work well.

Carol Ferguson, a staff member of the Hard-Rock Mining Impact Board, stated the board's support for the bill.

OPPONENTS

There were no opponents to HB 870.

Questions from the committee were called for.

Senator Gage asked Jim Richard how he knew 20% to the affected municipalities was fair. Mr. Richard said interested persons suggested 20% because companies felt they could live with that. Ward Shanahan noted that that does not affect school district distribution.

Senator Gage, addressing Mr. Richard, said he indicates the total number of students. Mr. Richard stated that that was the total number of students intended to be enrolled, not residing within a jurisdiction.

Mr. Shanahan noted that the purpose of the exemption was to take the subject property out of the confines of the present taxing jurisdiction.

Senator Elliott questioned how this would affect bond issues. Mr. Shanahan indicated that HB 718 from the 1981 session has bonding provisions in it. There will be some students moving from one place to another and at some time, front end impacts disappear.

Senator Elliott asked Mr. Richard if there were three cities in one area, would they share the 20%, and Mr. Richard replied yes, they would.

Senator Eck said it is intended to include them in the taxable base which would make them eligible for a higher amount of bonds. You may not have students at the time you start on capital expenditures.

Senator Turnage felt the property should not be exempted from the usual method of taxation but rather should be transferred. Senator Towe agreed with Senator Turnage. If you go this way, Senator Turnage said, taxpayers will go to court and claim they are exempt.

Mr. Shanahan suggested the following amendment be adopted:

Page 4, line 15.
Following: "levies"
Insert: "and is taxable as provided in [section 4]"

Mr. Shanahan explained that we are trying to do the same thing as when federal agencies come in and offer money to be spread around. If you take out "exempt," every mosquito district will be after us for taxes.

Senator Turnage asked Gregg Groepper, administrator of the Property Assessment Division of the Department of Revenue, if in administering the statute, they were going to promulgate rules. He wondered if there was any operation that would come under this now. Mr. Groepper responded that maybe the Sunlight Mine would. Mr. Shanahan added that the Asarco mine in Lincoln County would not.

Senator Turnage asked if it was clear that this bill is prospective and not retroactive, and Mr. Groepper replied yes.

Representative Fabrega noted that the 80% would be divided as to how it affects more than one county. Senator Goodover pointed out that cities and municipalities are still part of the counties.

Senator Turnage moved that the amendments submitted by Jim Richard (Exhibit B) be adopted. The motion was seconded and passed unanimously.

Senator Eck moved that the amendment submitted by Ward Shanahan (re page 4, line 15) be adopted, but after some discussion, she withdrew her motion.

The committee will further discuss HB 870 and any amendments to it tomorrow.

CONSIDERATION OF HOUSE BILL 17: Senator Severson, chairman of the subcommittee appointed to study this bill, turned discussion of the committee's recommendations over to Senator Elliott. Senator Elliott said there was still disparity between vehicles run on diesel. The subcommittee thought a two-fee range for diesel, like $70 for over 2,850 lbs. and $50 for 2,850 lbs. and under, should be established. We will leave the propane and natural gas sections alone. A shortcoming of the bill is in allowing dealers to sell diesel to tourists. Senator Elliott stated that further work may need to be done on this two years from now.

Senator Goodover, who was also on the subcommittee, said they also discussed the price on the pumps. When you have a decal, the price on the pump should be the price without the tax. Those without a decal would have the tax added to the pump price.

Senator Mazurek thought that would make it too easy to cheat. The service station would sell the diesel without the paperwork. Senator Goodover reminded him that they do have bonds.

Norris Nichols, Motor Fuel Tax Division of the Department of Revenue, said Texas has a system like this for light cars. If

ROLL CALL

SENATE TAXATION COMMITTEE

48th LEGISLATIVE SESSION -- 1983 Date 3/24 /8

NAME	PRESENT	ABSENT	EXCUSED
SENATOR GOODOVER, CHAIRMAN	✓		
SENATOR McCALLUM, VICE CHAIRMAN	✓		
SENATOR BROWN	✓		
SENATOR CRIPPEN	✓		
SENATOR ELLIOTT	✓		
SENATOR GAGE	✓		
SENATOR TURNAGE	✓		
SENATOR SEVERSON	✓		
SENATOR HAGER	✓		
SENATOR ECK	✓		
SENATOR HALLIGAN	✓		
SENATOR LYNCH	✓		
SENATOR NORMAN	✓		
SENATOR TOWE	✓ S.P.		
SENATOR MAZUREK	✓		Excused after 9am

DATE March 24, 1993

COMMITTEE ON [illegible]

VISITORS' REGISTER

NAME	REPRESENTING	BILL #	Check One: Support	Check One: Oppose
[illegible]	STILLWATER County	[illegible]	✓	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
A C. [illegible]	Sweet Grass County	HB 870	✓	
[illegible]	Not Quite Dedicated			
[illegible]	[illegible]			
[illegible]	[illegible]			
[illegible]	[illegible]			
[illegible]	[illegible]	HB 870	✓	
[illegible]	[illegible]	[illegible]	✓	
[illegible]	not [illegible]	HB 870		
Jerod Stanaland	Stillwater PGM	HB 870	✓	
[illegible]	[illegible]	[illegible]	[illegible]	

Draft 2-16-83

SENATE TAXATION COMMITTEE
EXHIBIT A
March 24, 1983
House BILL No. 870

EXPLANATION OF HOUSE BILL 870
MINERAL PROPERTY TAX BASE SHARING

BACKGROUND

Often a revenue disparity occurs where a new mineral development is located in one jurisdiction but at least part of the resulting increased population resides (and creates the need for increased public services) in other jurisdictions. The other jurisdictions providing services to the development-generated population do not realize tax benefits from the mineral development to off-set the added costs of providing services.

Typically, a county receives the added taxable valuation of a mineral development but part of the new population often lives, and receives services, in the municipality; also, the development may pay taxes to the elementary (or high school) school district in which it is located but a portion of the mining employees' children attend school in another district.

The 1981 Legislative session enacted HB 718 to address this and other fiscal problems resulting from large-scale mineral development. Mining companies are required to provide financing for net capital and operating costs incurred by units of local government. In jurisdictions where the mineral development is located and therefore pays property taxes the company can provide "front end" financing through tax prepayments and recoup those payments through future tax repayments when the mineral development's taxable valuation increases. In jurisdictions that must provide additional services to mining-related populations but do not contain the development and therefore will receive no tax benefits the company must offset the net costs of services by providing "grants," which the company is not able to recover through tax repayments.

APPROACH OF HB 870

Under HB 870 part of the taxable valuation of the mineral development would be distributed from the "fortunate" jurisdictions (O.K., you think of a better term) to the "unfortunate" jurisdictions providing services to development-related in-migrating residents.

HB 870 would involve three categories of local government: (1) units of general local government (counties and municipalities), (2) elementary school districts and (3) high school districts. Within each of these categories the taxable valuation of the mineral development would be shared among the jurisdictions according to the percent of its employees residing within each county and municipality,or the percentage of its employees' children attending school within each district.

BENEFITS; FORFEITS

House Bill 870 would benefit the "unfortunate" jurisdictions because they would receive a portion of the mineral development's taxable valuation. That added tax base would provide at least some revenues to help meet the costs incurred from serving mine-related inmigrants.

Mining companies would benefit because they would have the opportunity to make tax prepayments to provide the required "up-front" financing through tax prepayments and regain the financing through future tax repayments.

Under HB 870 counties would almost always give up part of the new tax base. One "fortunate" elementary and one high school district likely would give up a portion of their new taxable valuation.

PREMISES

1. HB 870 does not attempt to achieve true equalization between mining-related revenues and mining-related costs among affected jurisdictions. In fact, true equalization has been sacrificed to achieve a simple technique which feasibly can be administered. HB 870 does, however, make significant strides toward more equitable distribution of the new taxable valuation.

Revenue shortfalls incurred by a jurisdiction still would be met under the hard-rock impact plan.

2. The mineral-related taxable valuation which is available for asessment of mill levies will be no greater than under the current taxation system.

ASSUMPTIONS

1. The increased costs of public services is proportional to the increased number of in-migrating persons (or students).

2. The number of in-migrating mine employees and the locations of their residences are proportional to the number and location of the total in-migrating population.

3. The distribution of in-migrating mine employees' students is proportional to the distribution of all in-migrating students.

FEATURES OF HB 870

1. The process is triggered by the approval of a hard-rock impact plan.

2. Each year the mining company conducts a survey of its employees to determine (1) in which jurisdiction they reside, and (2) how many of the employees' children attend each of the elementary and high schools within the impact area. The percentages derived from the survey determine the allocation of the mineral development's taxable valuation among the jurisdictions within each of three separate categories— (a) units of general local government, (b) elementary school districts and (c) high shool districts.

3. No state or local agency makes any judgments; the company's employee survey determines the allocation percentages. The state Department of Revenue is involved only in its statutory role of assessing property.

4. The taxable valuation of the mining property would continue to be subject to all statewide levies and the 40 mill basic county levy for the elementary and high school foundation programs.

5. Under HB 870 the actual total tax liability of a mineral developer may be greater or less than under the current method, depending on the mill levies of the various units of local government. In the case of units of general local government, municipal mill levies are usually higher than county levies, and HB 870 would share part of the taxable value with a municipality having a higher mill levy. However, the opportunity to recoup tax repayments would be an overriding benefit for industry under HB 870.

COMPARISON: HB 870 AND CURRENT METHOD

The attached tables show how taxation under HB 870 would compare with the current method. Projected data from an actual pending permit application for a proposed platinum mine in Stillwater County is presented. The mineral development and the affected jurisdictions in Stillwater County represent an ideal situation for examining HB 870 in practice.

The tables assume that the peak year of production and employment for the platinum mine is added to the 1983 circumstances in the Stillwater jurisdictions. The proposed mine would be located in Stillwater County, the Nye Elementary School District and the Absarokee High School District. Other impacted jurisdictions include the Town of Columbus, Absarokee and Columbus Elementary School Districts and Columbus High School District.

Table 1 shows the units of general local government and how HB 870 would distribute part of the $3,500,000 taxable valuation of the mineral development to the Town of Columbus (lines 21 through 25). The $234,675 that the company would pay under HB 870 is higher than the $220,500 it would pay under the current system (lines 15 through 18) because Columbus has a higher mill

levy than Stillwater County. The total taxes that would be paid under HB 870 to elementary and high school districts (Tables 2 and 3, respectively) are higher than under the current system because the "unfortunate" school districts happen to have higher mill levies than the Nye elementary and Absarokee high school districts.

Lines 28 through 31 show an attempt to adjust the mill levies because the large mineral taxable valuation would add significantly to each jurisdiction's tax base. An assumption was made in adjusting the mill levies downward that the tax suppoted expenditures per capita remained the same. Under this assumption the added taxable valuation exceeded the added costs for services and mill levies were decreased, thus the mineral development's tax liability was decreased.

TABLE 1: UNITS OF GENERAL GOV'T

	A	B	C	D
1		STILLWATER CO	COLUMBUS	TOTAL: GENERAL GOV'TS
2				
3	Current Popul(Enrollment)	5600	1500	5600
4	Taxable Valuation	14000000	1450000	14000000
5	Budget	1500000	300000	1800000
6	Budget/Capita (Student)	268	200	253
7	Mill Levy	.063	.09	.153
8	Tax Supported Expendi.	882000	130500	1012500
9	TaxSupp.Expen/cap	158	87	181
10	Added Employment	120	21	141
11	Added Popul.(Enroll.)	550	120	670
12	% Added Employ.(Enroll.)	.85	.15	100
13	Total New Pop (Enroll)	6150	1620	6270
14				
15	UNDER CURRENT TAX.METHOD			
16	Tax.Val.:Mineral Dev.	3500000	0	3500000
17	Mill Levy [current]	.063	.090	.153
18	TAXES:Mineral Dev.	220500	0	220500
19				
20				
21	HB 870 TAXBASE SHARING			
22	% Added Employ.(Enroll.)	.85	.15	1
23	Tax.Val.:Mineral Dev.	2975000	525000	3500000
24	Mill Levy	.063	.090	.153
25	TAXES:Mining Dev.	187425	47250	234675
26				
27	HB 870: ADJUSTED			
28	Total New TaxSuppExpen	968625	140940	1109565
29	Total New Tax.Val.	16975000	1975000	17500000
30	Mill Levy[Adjusted]	.057	.071	
31	TAXES:MinDev[adjusted]	169759	37465	207224

TABLE 3: HIGH SCHOOL DISTRICTS / TOTAL

	J	K	L	M	N
1		Absarokee H.S.	Columbus H.S.	Total H.S.	TOTAL
2					
3	Population(Enrollment)	100	160	260	
4	Taxable Valuation	3600000	3700000	7300000	
5	Budget	321000	400000	721000	
6	Budget/Capita (Student)	3210	2500	2773	
7	Mill Levy	.025	.024	.049	
8	Tax Supported Expendi.	90000	88800	178800	
9	TaxSupp.Expen/cap	900	555	688	
10					
11	Added Popul. (Enroll.)	25	15	40	
12	% Added Pop.(Enroll.)	.625	.375	1	
13	Total New Pop (Enroll)	125	175	300	
14					
15	CURRENT TAXATION				
16	Tax.Val.:Mineral Dev.	3500000	0	3500000	
17	Mill Levy [current]	.025	.024	.049	
18	TAXES:Mineral Dev.	87500	0	87500	385000
19					
20					
21	(1)PROPOSED BASE SHARING				
22	% Added Pop.(Enroll.)	.625	.375	1	
23	Tax.Val.:Mineral Dev.	2187500	1312500	3500000	
24	Mill Levy	.025	.024	.049	
25	TAXES:Mining Dev.	54688	31500	86188	433003
26					
27					
28	Total New TaxSuppExpen	112500	97125		
29	Total New Tax.Val.	5787500	5012500	10800000	
30	Mill Levy[Adjusted]	.019	.019	0	
31	TAXES:MinDev[adjusted]	42522	25432	67953	342066

TABLE 2: ELEMENTARY SCHOOL DISTRICTS

	E	F	G	H	I
1		Nye Elem.	Alsarokee Elem.	Columbus Elem.	Total Elem.
2					
3	Population(Enrollment)	10	180	300	490
4	Taxable Valuation	560000	2100000	3700000	6360000
5	Budget	20000	350000	530000	900000
6	Budget/Capita (Student)	2000	1944	1767	1837
7	Mill Levy	.022	.032	.033	.087
8	Tax Supported Expendi.	12320	67200	122100	201620
9	TaxSupp.Expen/cap	1232	373	407	411
10					
11	Added Popul. (Enroll.)	1	55	9	65
12	% Added Pop.(Enroll.)	.01	.85	.14	1
13	Total New Pop (Enroll)	11	235	309	555
14					
15	CURRENT TAXATION				
16	Tax.Val.:Mineral Dev.	3500000	0	0	3500000
17	Mill Levy [current]	.022	.032	.033	.087
18	TAXES:Mineral Dev.	77000	0	0	77000
19					
20					
21	(1)PROPOSED BASE SHARING				
22	% Added Pop.(Enroll.)	.01	.85	.14	1
23	Tax.Val.:Mineral Dev.	35000	2975000	490000	3500000
24	Mill Levy	.022	.032	.033	.087
25	TAXES:Mining Dev.	770	95200	16170	112140
26					
27					
28	Total New TaxSuppExpen	13552	87655	125763	
29	Total New Tax.Val.	595000	5075000	4190000	9860000
30	Mill Levy[Adjusted]	.023	.017	.03	0
31	TAXES:MinDev[adjusted]	797	51384	14707	66889

3/24 adopted

SENATE TAXATION COMMITTEE
EXHIBIT B
MARCH 24, 1983
HB 870

John Beaudry, Stillwater County
Jim Richard, Stillwater County
Andy Epple, Sweet Grass County
Carol Ferguson, Department of Commerce

NAME Les Darling, Stillwater PGM Resources BILL NO. HB 870

ADDRESS _____ DATE 03/23/83

WHOM DO YOU REPRESENT (See Above)

SUPPORT _____ OPPOSE _____ AMEND XXX

1. Page 3, line 24
   Following: "county"
   Strike: "city"
   Insert: "municipality"

2. Page 5, line 4 through 12
   Strike: "Subsection (1) in its entirety"
   Insert: "(1) The total taxable valuation of the mineral development must be allocated between affected counties and affected municipalities according to the following formula based on the place of residence of mineral development employees:

   (a) A portion, not to exceed 20%, to affected municipalities, based on that percentage of the total number of mineral development employees which reside within municipal boundaries. The taxable valuation allocated to affected municipalities must be distributed to each municipality according to its percentage of the total number of mineral development employees who reside within municipal boundaries. That portion of the taxable valuation distributed to a municipality pursuant to this section is subject to the same county mill levy as other taxable properties located in the municipality.

   (b) The remaining portion of the taxable valuation must be distributed to each affected county according to its percentage of the total number of mineral development employees that reside within the county.

3. Page 6, line 6
   Following: "affected"
   Strike: "city"
   Insert: "municipality"

lation is good. Amendments may lend confusion to what they are trying to accomplish.

Senator Norman felt going below the base was undesirable.

Senator Towe said the legislature could come back in two years to change this if it doesn't work with the amendments proposed.

Senator Elliott wondered if the legislature could rely on Senator Towe's figures as being legitimate sales prices for mining companies.

Senator Gage recalled that Senator Towe indicated this would go into a hard-rock mining impact trust account.

Senator Towe moved that the tax rate be reduced .25% for each 10% that the average daily price of the metals decreases but in no event shall the tax rate be reduced below 90%. The motion was seconded.

Senator Halligan said the base price was the "break even point" of the industry.

Senator Gage said he could support the amendments if all the additional funds went into the impact trust account but not otherwise.

Senator McCallum wondered how much additional tax this would cost, say, Arco at Troy. Senator Towe said if the price of gold goes above 505.49, there will be an increase.

Ward Shanahan, who represents Stillwater PGM Resources, said they are using palladium. Palladium is what will make them go or not go, not the jewelry-type metals.

Senator McCallum made a substitute motion that the third reading copy of HB 446 BE CONCURRED IN (without any amendments). The motion was seconded.

Senator Halligan said the Board had concluded the mining industry was paying high taxes in comparison to other states; they pay the resource indemnity trust tax, metalifferous mines tax, corporation license tax, etc. They pay their fair share not based on productivity.

Senator Towe urged the committee to defeat Senator McCallum's motion. A roll call vote on Senator McCallum's substitute motion was taken, and it passed 7-6.

CONSIDERATION OF HOUSE BILL 870: Carol Ferguson explained her amendments, attached as Exhibit E. Senator Halligan moved that the amendments attached as Exhibit E be adopted. (There was no second to his motion.) Ms. Ferguson said that

Senator Turnage's concern was that the language in the bill created an increase in taxable valuation of mining property after a permit is issued. There was some question that the bill exempted mining property from taxation by counties. Senator Turnage felt the bill did not clearly enough state that the increase in taxable valuation reallocated to other jurisdictions would be taxable in other jurisdictions. If the counties and school districts don't tax, the other entity may tax the increase in valuation.

Senator Turnage asked if Cort Harrington, the committee's staff attorney, would study the amendments before the committee acted on them, and that was agreeable to the committee.

Senator Halligan said that the problem was taken care of in a section inadvertantly left out of the bill ("Each affected local government unit shall apply budgeting and mill levy procedures to the portion of the mining property valuation allocated to it pursuant to subsection 4(1)"). Scott Carter, who helped draft HB 870, was present at this meeting and he recommended putting that paragraph back in.

CONSIDERATION OF HOUSE BILL 780: The subcommittee had not met yet concerning amendments to the (gasohol) bill. Senator Turnage pointed out that the protection clause is repealed in this bill. He thought that when refunds reached a certain level (say, $1,000 a year) for a business getting refunds, it should be shut off for that business. Senator Elliott stated that only the manufacturers of the product would be eligible for refunds. A manufacturer making one million gallons of alcohol would apply to the Department of Revenue for a refund based on 70 cents tax for each gallon, times .9 is 63 cents a gallon refund for each gallon of ethanol produced. The Department of Revenue feels they have a good idea of how much is produced.

Senator Turnage said there are about 446 million gallons of gasoline sold in a year in this state, of which 10 million gallons are sold for gasohol.

Norris Nichols, from the Motor Fuels Tax Division of the Department of Revenue said their won't be much more growth in gasohol manufacturing unless the two present manufacturers expand or more come on board. The only way to get the subsidy is by making gasohol, so if the alcohol manufacturers make any other by-product, they won't get it.

The committee adjourned at 9:45 a.m.

Patty Goodover
Chairman

~~SENATE TAXATION COMMITTEE~~
EXHIBIT E
MARCH 26, 1983
HB 870

March 25, 1983

Chairman and members of the Senate Taxation Committee

Proposed amendments to address concerns expressed by Senator Turnage and others during the hearing on HB870.

1. Page 1, lines 9 through 12
   Strike: lines 9 through 12 in their entirety
   Following: line 8
   Insert: "TAXABLE VALUATION OF LARGE-SCALE HARD-ROCK MINERAL DEVELOPMENTS FROM THE USUAL PROPERTY TAXATION BY COUNTIES AND SCHOOL DISTRICTS AND TO REALLOCATE THAT TAXABLE VALUATION FOR TAXATION BY THOSE MUNICIPALITIES, COUNTIES, AND SCHOOL DISTRICTS TO WHICH THE TAXABLE VALUATION IS ALLOCATED; TO SHARE THE PROPERTY TAX BASE OF LARGE-SCALE MINERAL DEVELOPMENTS; AND"

2. Page 4, line 5
   Following: "disparity --"
   Strike: "tax"
   Insert: "conditional"

3. Page 4, line 6
   Following: "exemption"
   Insert: "and reallocation of certain taxable valuation"

4. Page 4, line 11
   Following: "in"
   Strike: "subsection (2)"
   Insert: "this section"

5. Page 4, line 14
   Following: "is"
   Strike: "exempt from"
   Insert: "not subject to"

6. Page 4, line 15
   Following: "of"
   Insert: "county and school district"
   Following: "."
   Insert: "This increase in taxable valuation must be allocated to local government units as provided in [section 4]. The increase in taxable valuation allocated as provided in [section 4] is subject to the application of property tax mill levies in the local government unit to

which it is allocated."

7. Page 4, line 16
   Following: "The"
   Insert: "total"
   Following: "of"
   Strike: "all"
   Insert: "a"

8. Page 4, line 17
   Strike: "developments are"
   Insert: "development remains"

9. Page 4, line 20
   Following: "(3)"
   Strike: the remainder of line 20
   Insert: "The provisions of"

10. Page 4, line 21
    Following: "(1)"
    Strike: "remains"
    Insert: "remain"

11. Page 4, line 23
    Following: "ceases"
    Insert: "as determined by the board"

12. Page 5, line 1
    Following: "is"
    Strike: "exempted from local property taxation"

13. Page 5, line 2
    Strike: "pursuant to"
    Insert: "subject to the provisions of"
    Following: "the"
    Insert: "increase in"
    Following: "valuation"
    Strike: "so exempted"

14. Page 5, line 4
    Following: "total"
    Insert: "increase in"

NOTE: Make the same change in the amendment to section 4(1) adopted by the committee following the hearing

15. Page 5, line 13
    Following: "total"
    Insert: "increase in"

16. Page 5, line 18
    Following: "total"
    Insert: "increase in"

17. Page 6, line 11
    Following: line 11
    Insert: "(5) The initial allocation of the increase in taxable valuation

made as provided in /section 3/ and /section 4/ shall be made on the basis of the place of residence of employees and the district of enrollment of students as projected in the approved impact plan for that period of time between the issuance and validation of the permit and the submission of an employee survey as provided for in this section."

MINUTES OF THE MEETING
TAXATION COMMITTEE
MONTANA STATE SENATE

March 29, 1983

The fifty-sixth meeting of the Taxation Committee was called to order at 8:05 a.m. by Chairman Pat M. Goodover in Room 415 of the Capitol Building.

ROLL CALL: All members were present except Senator Norman.

CONSIDERATION AND DISPOSITION OF SENATE JOINT RESOLUTION 23: Senator Towe moved that the amendments submitted by the sub-committee and attached as Exhibit A be adopted. The motion was seconded and passed unanimously.

Senator Mazurek moved that SJR 23 DO PASS AS AMENDED. The motion was seconded and passed unanimously. Senator Halligan will carry the resolution on the floor.

CONSIDERATION AND DISPOSITION OF HOUSE BILL 870: Cort Harrington stated he had reviewed Carol Ferguson's amendments submitted at the March 26 meeting, and they take care of Senator Turnage's concerns. Ms. Ferguson said the purpose of the amendments is to make it clear that we are talking about a portion of taxable valuation. That portion will no longer be subject to taxation by counties or high school or elementary school districts. Instead it will be reallocated among the county, high school and elementary districts according to where employees of a mining operation live and will then be subject to taxation by those jurisdictions in the proportion in which they are allocated.

Senator Gage moved the following amendments be adopted:

Page 5, line 15.
Strike: "that reside in"
Insert: "enrolled in"

Page 5, line 22.
Strike: "that reside in"
Insert: "enrolled in"

Senator Brown asked Senator Gage if he had assumed bussing. Senator Gage responded that students could be bussed in or out of the districts. There will be costs involved in this mismatch situation. Senator Turnage said Senator Gage had a good point. He wanted to know how that interfaced with tuition transfers. Senator Eck said that creates a problem. When there are tuition transfers, only the costs of operation are covered, not the capital costs.

Cort said the bill should be consistent. We should use "reside" or "enroll" consistently in all places. Senator Towe suggested using "reside" instead of "enrolled".

Senator Turnage asked what the present language was for a student. Senator Mazurek said a student resides in a district and is enrolled in a school.

Ms. Ferguson said the initial allocation of valuation will be based on the impact plan, which would be in effect until the following May 1, when the mineral development filed its next report, and then the allocation would be based on that current report.

Senator Towe moved that the following amendments be adopted:

Page 6, line 8.
Strike: "enrolled"
Insert: "residing"

Page 6, line 10.
Strike: "enrolled"
Insert: "residing"

The motion was seconded and passed unanimously.

Senator Gage withdrew his motion regarding the amendments on page 5, lines 16 and 22. (The language "that reside in" remains in place on those two lines.)

Senator Towe wondered if the bill stated anywhere that the extra valuation would be subject to tax. Ms. Ferguson pointed out that the second sentence in her amendment No. 6 allocates it to the local governmental units.

Senator Towe then moved that Ms. Ferguson's amendments be adopted. The motion was seconded and passed unanimously.

Senator Towe moved that HB 870 BE CONCURRED IN AS AMENDED. Th motion was seconded and passed unanimously. Senator Halligan will carry the bill on the floor.

CONSIDERATION OF HOUSE BILL 780: Senator Elliott said the sub-committee had reached some conclusions, and the amendments are being prepared. Senators Elliott, Eck and Gage did capsulize the amendments for the committee, however. They changed "gasohol" to "alcohol", which leaves out the distributors as far as getting refunds is concerned. Alcohol distributors would pay taxes on the alcohol the same way that the gas distributors pay taxes on gasoline. Nothing will be done concerning blending at the pump. They will give a rebate for alcohol. The alcohol goes through a denaturing process, so it has no other use but gasohol. Both the distributors and the dealers will have to keep records.

STANDING COMMITTEE REPORT

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MR. PRESIDENT

We, your committee on taxation

having had under consideration House Bill No. 870

Fabrega (Halligan)

Respectfully report as follows: That House Bill No. 870

third reading copy, be amended as follows:

1. Title, line 8.
Following: line 7
Strike: "PROPERTY"
Insert: "TAXABLE VALUATION"
Following: "HARD-ROCK MINERAL"
Strike: "DEVELOPERS"
Insert: "DEVELOPMENT"

2. Title, line 9.
Following: "THE USUAL"
Strike: "LOCAL"
Following: "TAXATION"
Strike: "OF CITIES,"
Insert: "BY"
Following: "COUNTIES"
Strike: ","

~~AMENDED~~

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3. Title, line 10.
Following: line 9
Strike: "TOWNS"
Following: "SCHOOL DISTRICTS"
Insert: "AND TO REALLOCATE THAT TAXABLE VALUATION FOR TAXATION BY THOSE MUNICIPALITIES, COUNTIES, AND SCHOOL DISTRICTS TO WHICH THE TAXABLE VALUATION IS ALLOCATED"
Following: "TO"
Strike: remainder of line 10
Insert: "SHARE"

4. Title, line 12.
Following: "DEVELOPMENTS"
Strike: "AMONG SEVERAL TAXING JURISDICTIONS"

5. Page 3, line 24.
Following: "county,"
Strike: "city"
Insert: "municipality"

6. Page 4, line 5.
Following: "disparity -- "
Strike: "tax"
Insert: "conditioned"

7. Page 4, line 6.
Following: "exemption"
Insert: "and reallocation of certain taxable valuation"

8. Page 4, line 11.
Following: "in"
Strike: "subsection (2)"
Insert: "this section"

9. Page 4, line 14.
Following: "is"
Strike: "exempt from"
Insert: "not subject to"

10. Page 4, line 15.
Following: "of"
Insert: "county and school district"
Following: "."
Insert: "This increase in taxable valuation must be allocated to local government units as provided in [section 4]. The increase in taxable valuation allocated as provided in [section 4] is subject to the application of property tax mill levies in the local government unit to which it is allocated."

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11. Page 4, line 16.
Following: "The"
Insert: "total"
Following: "of"
Strike: "all"
Insert: "a"

12. Page 4, line 17.
Strike: "developments are"
Insert: "development remains"

13. Page 4, line 20.
Following: "(3)"
Strike: the remainder of line 20
Insert: "The provisions of"

14. Page 4, line 21.
Following: "(1)"
Strike: "remains"
Insert: "remain"

15. Page 4, line 23.
Following: "ceases"
Insert: "as determined by the board"

16. Page 5, line 1.
Following: "is"
Strike: "exempted from local property taxation"

17. Page 5, line 2.
Strike: "pursuant to"
Insert: "subject to the provisions of"
Following: "the"
Insert: "increase in"
Following: "valuation"
Strike: "so exempted"

18. Page 5, line 4 through 12.
Strike: subsection (1) in its entirety"
Insert: "(1) The total increase in taxable valuation of the mineral development must be allocated between affected counties and affected municipalities according to the following formula based on the place of residence of mineral development employees:

(a) A portion, not to exceed 20%, to affected municipalities, based on that percentage of the total number of

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mineral development employees that reside within municipal boundaries. The taxable valuation allocated to affected municipalities must be distributed to each municipality according to its percentage of the total number of mineral development employees who reside within municipal boundaries. That portion of the taxable valuation distributed to a municipality pursuant to this section is subject to the same county mill levy as other taxable properties located in the municipality.

(b) The remaining portion of the taxable valuation must be distributed to each affected county according to its percentage of the total number of mineral development employees that reside within the county."

19. Page 5, line 4.
Following: "total"
Insert: "increase in"

20. Page 5, line 13.
Following: "total"
Insert: "increase in"

21. Page 5, line 18.
Following: "total"
Insert: "increase in"

22. Page 6, line 6.
Following: "affected"
Strike: "city"
Insert: "municipality"

23. Page 6, line 8.
Following: "students"
Strike: "enrolled"
Insert: "residing"

24. Page 6, line 10.
Following: "student"
Strike: "enrolled"
Insert: "residing"

25. Page 6, line 12.
Following: line 11
Insert: "(5) The initial allocation of the increase in taxable valuation made as provided in [section 3] and [section 4] shall be made on the basis of the place of residence of employees and the district of enrollment of students as projected in the approved impact plan for that period of time between the issuance and validation of the permit and the submission of an employee survey as provided for in this section."

And, as so amended,

BE CONCURRED IN

Pat M. Goodover Chairman.

STATE PUB. CO.
Helena, Mont.